NEBRASKA DEPARTMENT OF REVENUE, PROPERTY ASSESSMENT DIVISION

TITLE 350, CH. 12 – SALES FILE REGULATIONS

EXPLANATORY STATEMENT

Overview - These regulations establish a purpose, definitions, and procedure for Real Property Transfer Statements (Form 521) to the Nebraska Department of Revenue, Property Assessment Division (Division), and specific sale qualification procedures. This regulation proposal rewrites the entire chapter with the following major changes: the language is modernized; definitions of terms that are not used in this regulation were removed; several definitions are placed and explained in the body of the regulation in more detail as part of the procedures; the Form 521 and property characteristic information that county assessors are required to send to the Division are specifically listed and are provided electronically to the Division; and the regulation is reorganized to mirror the chronological process followed by the county assessor and Division. Reg-12-004 is completely rewritten to replace a protest procedure for the sales file with a separate qualification analysis for individual sales.

All changes have been made to create a more efficient and effective process for the county assessor and Division, including the ultimate goal of reducing the overall complexity of the regulation.

Detailed Summary:

REG-12-001 PURPOSE – The original purpose was struck and rewritten to more fully explain the state sales file and the Property Tax Administrator's statutory duty in maintaining the file.

REG-12-002 DEFINITIONS – This section was struck in its entirely in order to alphabetize the definitions. The following definitions were eliminated because they were duplicated in 350 Neb. Admin. Code Ch. 17 and better fit within that chapter: weighted mean ratio, assessment statistics, benchmark sale, mean ratio, median ratio, adjustment, supplemental information, qualified sales roster, nonqualified sales roster, representative sample, dispersion, measures of central tendency, coefficient of dispersion, and price-related differential.

The following definitions were added for ease of understanding: commercial sale, actual consideration, Division, Property Tax Administrator, residential sale, sales roster, and valuation grouping.

REG-12-003 PROCEDURES – The changes to this section provide for electronic transfer of sales information to the Division. The amount of information transferred is specifically listed in the section instead of just being alluded too. The bulk of the section lists the exact transfer of information that is required electronically. This process is already being done by county assessors but is clarified by the list.

Material currently in § 003.07 dealing with the study period for sales in the sales file is struck here, but included in the proposed revisions to 350 Neb. Admin. Code Ch. 17.

REG-12-004 <u>SALE QUALIFICATION PROCEDURES</u> – Current Reg-12-004 provides a procedure for the county assessor to protest the sales file as produced by the Division. This regulation proposal would replace that with a procedure for determining if a sale is qualified or non-qualified and for determining the sale useability of individual sales.

This entire original section was removed because a formal process for the "Sales File Protest" is no longer efficient. The state sales file has been updated to a real time electronic process that allows access to county assessors and the Division instantaneously. Division staff are continually reviewing the state sales file to determine the usability of the sale and discussing sales with county assessors. The "protest" has now become a more informal process than in the past and provides a more efficient flow of information to facilitate the effective measurement of each class of property. The current informal process also provides for a collaborative effort between Division staff and the county assessor ultimately producing a great degree of buy-in from both. There is no longer a need for a formal process now that the same type of discussion can be accomplished more effectively informally. The county assessor always has the ability to update sales in the state sales file and to discuss those changes with Division staff.

All sales are presumed to be qualified. Sales may be coded non-qualified only after compelling information accompanies the electronic transfer of the information as explained in the comments section. Sales must be adjusted to reflect the full consideration paid for property. The codes for establishing the sale useability of particular sales is as follows:

- 1. Useability code (1) means the sale is an arm's-length transaction between two parties attempting to maximize their position.
- 2. Useability code (2) sales are arms-length, but require a sale price adjustment.
- 3. Useability code (3) means an arm's-length sale where the property has changed substantially physically, legally, or economically after the sale so that the parcel as assessed no longer bears the current characteristics of the property. These sales are only used if the sample is otherwise insufficient to establish a level of value.
- 4. Useability code (4) means the sale is not an arm's-length transaction and is excluded from the sales file.
- 5. Useability code (5) means the sale is an arm's length transaction, but it will not be used in the sales file because the parcel has unique characteristics that make it incomparable to any other property.

While the assessor makes the initial determination of the useability code, the Division may make a different determination for purposes of the Reports and Opinions used in the statewide equalization process. County assessors may provide testimony as part of the statewide equalization process and submit other information that supplements the Reports and Opinions. Also, counties may appeal any class or subclass adjustments made by the Tax Equalization and Review Commission so there is no need for a separate protest for a determination of the sale useability of any individual sale.